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## Treasure Island Deal Totals 18 Acres

By [Brian K. Miller](#)

LAS VEGAS-The \$775-million deal for the Treasure Island resort-casino on the Las Vegas Strip includes 18 acres of property, according to a copy of the agreement filed with the SEC. MGM Mirage revealed earlier this week it was [selling the property](#) to billionaire Phil Ruffin but did not immediately reveal how much acreage would be included.

Treasure Island shares a 102-acre property with the Mirage casino resort. According to the SEC filing 18 acres that includes Treasure Island will be parceled off as part of the transaction, which is expected to close by the end of June 2009. Two parking garages not included in the transaction will continue to be shared by both properties.

The break-up fee for the deal is \$25 million. If either side can't perform, it would owe the other that sum and only that sum, according to the agreement.

Occupancy at Treasure Island in the third quarter was 96.4% while ADR was \$121 and RevPAR was \$116, according to supplemental third quarter data posted to the MGM Mirage web site. For the same 2007 period, occupancy was 98.9%, ADR was \$135 and RevPAR was \$133. Through the first nine months of 2008 the three figures were 96.9%, \$138 and \$134, respectively. During the same 2007 period, the comparable results were 98.5%, \$147 and \$145.

Treasure Island generated \$94.1 million in revenue in the third quarter of 2008, down from \$107.4 million in the third quarter of 2007. Through the first three quarters of 2008, revenue totaled \$288.2 million, down from \$325.6 million in the same year-earlier period.

Treasure Island EBITDA was \$24.6 million in the third quarter of 2008, down from \$30.6 million in the same 2007 period. The 2008 EBITDA figure includes \$13.7 million of operating income \$10.9 million of depreciation and amortization. The 2007 figure includes \$22.6 million of operating income and \$7.9 million of depreciation and amortization.

Through the first nine months of 2008, EBITDA was \$80.8 million, down from \$98.2 million in the same 2007 period. The nine-month 2008 EBITDA figure includes \$50.4 million of operating income and \$30.4 million of depreciation and amortization. The 2007 figure includes \$74.8 million of operating income and \$23.5 million of depreciation and amortization.

In the whole, Ruffin appears to have made a pretty good swap. Last year, he sold for \$1.2 billion a 35-acre property on the Strip that was generating so little cash flow that the new owner opted to tear it down instead of keep it running. This year, he pays \$775 million for an 18-acre property on the Strip that is generating approximately \$100 million of EBITDA.

"Great timing," says Brian Gordon, principal of Applied Analysis, a locally based business research and advisory firm that also publishes a monthly Gaming Index. "He sold the New Frontier property at the peak of the market and then acquires a better performing property at a more favorable price point."

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